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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Amendment of Part 20 and 24 of the
Commission's Rules -- Broadband
PCS Competitive Bidding and the
Commercial Mobile Radio Service
Spectrum Cap

Amendment of the Commission's
Cellular PCS Cross-Ownership Rule

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WT Docket No. 96-59

DOCKET FILE COPY ORIGINAL

GN Docket No. 90-314

REPLY COMMENTS
OF THE
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association ("NTCA") is a national association of approximately 500 small local exchange carriers ("LECs") providing telecommunications services to interexchange carriers and subscribers throughout rural America. NTCA submitted comments to the Notice of Proposed Rulemaking, FCC 96-119, released in this proceeding on March 20, 1996 ("NPRM"). In those comments, it suggested minimal and simple changes to the attribution rules to ensure that designated entities will have a more meaningful opportunity to obtain F block 10 MHZ licenses. It asked the Commission to limit participation in the C block auctions to small businesses, consortia of small businesses and rural telephone companies and to abandon the 25 percent and 49.9 percent equity options in 47 C.F.R. § 24.715(b). NTCA asked the Commission to make the changes so that it could correct the mistakes which to date have produced dismal results for the entities and rural areas Congress intended to benefit under Section 309(j)(3)(B) of the Communications Act.

I. THE PARTIES AGREE THAT THE AUCTION RULES FOR BLOCK C HAVE FAILED.

The majority of commenters agree that rules governing the Block C auctions have not benefitted small businesses or "entrepreneurs."¹ Most of those entities dropped out of the auctions when prices reached speculative levels that far exceed prices paid in the A and B Block Major Trading Area auctions. Some have opined that the rules have fueled speculation only, and that at the expense of entrepreneurship.² The consensus among the commenting small businesses and rural telephone companies is that the Commission should take corrective action to prevent continued frustration of the Congressional mandate in Section 309(j).

Several parties agree with NTCA's recommendation that only small businesses and rural telephone companies as presently defined should be eligible to bid on the F block.³ The Coalition of New York Rural Telephone Companies ("New York") correctly points out that there are ample reasons to reserve the F block for small businesses and rural telephone companies.⁴ Many designated entities view 10 MHz PCS as a means to offer niche market services. Moreover, the Commission itself has distinguished 10 MHz from 30 MHz by adopting a different and lesser build-out burden for 10 MHz. NTCA agrees with the Coalition.

¹ See, e.g., Comments of Liberty Cellular, Inc. ("Liberty"), Mountain Solutions, KMTel, L.L.C., Ad Hoc Rural PCS Coalition, and Radiophone, Inc.

² See, e.g., Comments of GO Communications Corporation.

³ Ad Hoc Rural PCS Coalition at 8; Comments of U.S. Intelco Wireless Communications Inc. at 4; Coalition of New York Rural Telephone Companies at 2-8; and Liberty at 5.

⁴ New York at 4, see also, Liberty at 6.

Radiophone, Inc. agrees with NTCA's position that the Commission should abandon the 25 percent and 49.9 percent equity options.⁵ Radiophone correctly points out that neither time nor reliance considerations constrain the Commission to adopt the options in a manner similar to the way it did in its decision in the *Sixth Report and Order*.⁶

II. THE COMMISSION SHOULD ADOPT PREFERENCES FOR SMALL BUSINESSES AND RURAL TELEPHONE COMPANIES BIDDING ON BLOCKS F, D AND E.

AT&T Wireless Services, Inc. (AT&T) suggests that the Commission open Block F bidding to all parties regardless of size, increase upfront payments for all three blocks to \$.10 per MHz per pop and include a mechanism to ensure that upfront payments remain commensurate with a party's bidding activity.⁷ NTCA agrees with AT&T's statement that the Congressional objective has not been attained in the Block C auctions. However, it disagrees with AT&T's conclusion that the Commission should just forget it because the Block C rules have not worked.

Instead of forgetting the Congressional mandate, the Commission should improve its rules to achieve the Congressional goal. NTCA agrees with the many parties that recommend installment payments and bidding credits for small businesses on Blocks D and E as well as block F.⁸

⁵ Radiophone at 7-10.

⁶ Implementation of Section 309(j) of the Communications Act-Competitive Bidding, *Sixth Report and Order*, PP Docket 93-253, 60 FR 37786 (July 21, 1995).

⁷ AT&T at 7-8.

⁸ See, e.g., Ad Hoc at 9.

CONCLUSION

Many parties agree that the Commission should revise its rules to limit eligibility for bidding in the F block auctions to small businesses with no more than 40 million dollars in annual gross revenues and rural telephone companies with no more than 100,000 access lines. The Commission should also eliminate the 25 percent and 49.9 percent equity options. In addition, it should retain bidding credits, reduced up-front payments and installment payment plans for small businesses and rural telephone companies, particularly on Block F, but also on Blocks D and E.

Respectfully submitted,

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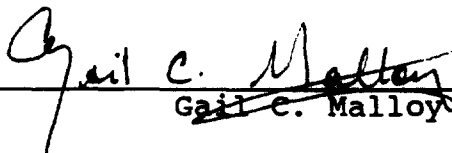
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April 25, 1996

CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing Reply Comments of the National Telephone Cooperative Association in WT Docket No. 96-59/GN Docket No. 90-314 was served on this 25th day of April 1996, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached list:



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